

Judiciary Commercial and Administrative Law Subcommittee Hearing:

End Discriminatory State Taxes for Automobile Renters Act

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June 15, 2010

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Thank you, Chairman Cohen.

I appreciate your Subcommittee's hearing on H.R. 4175, which is designed to protect car rental consumers from discriminatory taxes on car rentals.

I am joined in the cosponsorship of the legislation by ten House members, including Mr. Jordan and Mr. Issa, who are members of this Subcommittee.

Today, special car rental taxes have been enacted in 43 states and D.C. In 1976 there was one such tax. Today, there are 115. Localities have found the car rental tax to be attractive as a means of financing projects that have no direct connection to the rental of cars.

For example, 35 sports stadiums have been funded by these taxes. A performing arts center and a culinary institute have been funded with car rental taxes.

And these taxes carry a tremendous cost. They fall disproportionately on minority households. Nationwide, minority households bear 52 percent of these taxes.

In Georgia, minority households constitute 12 percent of the population, but they bear 27 percent of the car rental tax burden.

These taxes drive up auto insurance costs since a large portion of car rentals are temporary replacement vehicles rented by insurance companies while vehicles involved in accidents are being repaired.

A recent study has shown that these taxes are significantly suppressing the demand for new cars, perhaps by as much as 12 percent.

These social costs are too high. The taxes frequently fund projects that are completely unrelated to car rentals.

And they are discriminatory since similar taxes do not fall on the rental of other kinds of tangible personal property.

Our legislation prohibits the imposition of new discriminatory car rental taxes by states and localities while allowing to remain in effect taxes that were enacted prior to December 2, 2009, the date this bill was introduced, as long as the taxes in effect on that day are not changed, lapsed or raised.

Previously, Congress has prohibited the imposition of local taxes on bus, airline and train transportation. This legislation is an entirely appropriate complement to those existing laws.

The grandfathering provision acknowledges that localities have financed projects in anticipation of tax receipts, and we are avoiding disrupting the financing of the projects. Congress previously has barred local taxes on bus, plane and train transportation.

The bill has been endorsed by numerous organizations including the National Consumers League, the National Urban League, the UAW and the major U.S. auto manufacturers.

I thank all of the endorsing organizations for their support, and I thank the 10 cosponsors, and I thank you Chairman Cohen for drawing the Subcommittee's attention to the bill this morning.